

Message Text

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ACTION AID-59

INFO OCT-01 EUR-12 EA-07 NEA-10 ISO-00 AGRE-00 EB-07
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O R 161030Z JUN 77
FM AMEMBASSY DACCA
TO SECSTATE WASHDC IMMEDIATE 5079
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY CANBERRA
AMEMBASSY LONDON
AMEMBASSY OTTAWA
AMEMBASSY PARIS

C O N F I D E N T I A L SECTION 1 OF 3 DACCA 3284

PASS AID/ASIA FOR SULLIAN

E.O. 11652: GDS
TAGS: EAID, EAGR, BG, CA, AS, EEC
SUBJ: BANGLADESH AID GROUP MEETING; FOOD AID COORDINATION

REFS: (A) DACCA 3192; (B) STATE 135347
(C) DACCA 3055; (D) DACCA 3274

1. SUMMARY: WE RECOMMEND A STRONG U.S. PLEA AT THE
JULY 7-8 BANGLADESH AID GROUP MEETING FOR IMPROVED FOOD
DONOR COORDINATION, PRECEDED BY: (1) ADVISING LEADING
FOOD DONORS IN THEIR CAPITALS OF OUR INTENTION TO DO SO;
AND (2) CONSULTATION WITH THEIR REPRESENTATIVES IN
PARIS JULY 6 ON CONCERTED STATEMENTS LOOKING TO A
DONOR-BDG PARTNERSHIP, EXCHANGING RATIONAL FOOD
COMMITMENTS FOR PACED BDG POLICY DECISIONS. END SUMMARY.

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2. PAST SIX MONTHS HAVE BEEN MARKED BY EXTREME
CONFUSION ON FOOD AID DATA, UNSATISFACTORY COORDINATION
AMONG MAJOR FOOD DONORS AND BDG, AND ONLY A FEW POSITIVE
BDG FOOD POLICY DECISIONS TAKEN. IF PRESENT SITUATION
CONTINUES, BDG IS UNLIKELY TO TAKE IN FY 1978 ANY
OF THE MAJOR FOOD POLICY DECISIONS REQUIRED TO ACHIEVE
ITS GOAL OF FOODGRAIN SELF-SUFFICIENCY, REPEATEDLY

PROCLAIMED BY PRESIDENT ZIA IN SPEECHES OVER THIS LAST TWO MONTHS THROUGHOUT BANGLADESH.

3. EXTREME CONFUSION ON FOOD AID DATA. WE DO NOT DOUBT THAT WASHINGTON READERS WILL READILY ACCEPT OUR FIRST POINT THAT THE VOLATILE FOODGRAIN FORECASTS AND REPORTS OF KALEIDOSCOPICALLY-CHANGING FOOD DONOR PLANS HAVE PROVIDED AN UNSATISFACTORY BASIS FOR COMMITTING RESOURCES OR SCHEDULING SHIPMENTS. ANOTHER YEAR OF THE FAMINE/GLUT APPROACH TO SCHEDULING FOOD WITH THE EXTRAORDINARY JUNE 1977 PORT CONGESTION MUST BE AVOIDED.

4. BACKGROUND FACTORS. EVEN MORE SERIOUS WOULD BE A CONTINUATION OF UNCOORDINATED DONOR COMMITMENTS OF FOOD IN RETURN FOR EXTREMELY MODEST, INEVITABLY HEDGED, BDG COMMITMENTS TO ADOPT UNQUANTIFIED FOOD POLICY MEASURES AT UNSPECIFIED FUTURE TIMES. THERE ARE SEVERAL REASONS FOR THE PRESENT SITUATION.

5. POLITICAL. THE MOST POWERFUL SINGLE ECONOMIC FACTOR UNDERLYING THE POLITICAL POPULARITY (OR ITS ABSENCE) OF THE PRESENT AND PREVIOUS BANGLADESH LEADERS HAS BEEN THE AVAILABILITY AND PRICE OF RICE, PARTICULARLY IN THE MAJOR CITIES AND ABOVE ALL IN DACCA, WHERE THE POLITICALLY-ORGANIZED GROUPS -- LABOR, STUDENTS, GOVERNMENT WORKERS -- LIVE. THIS POLITICAL ASPECT OF THE CHEAP FOOD POLICY FOR URBAN CONSUMERS OUTWEIGHTS THE IMPORTANCE FOR BDG POLICY-MAKERS OF THE BUDGETARY SUPPORT PROVIDED BY THE RATION SALES. PRESIDENT ZIA'S
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EIGHTEEN MONTHS OF LEADERSHIP HAVE SEEN GOOD HARVESTS AND STABLE, LOW RICE PRICES. HE HAS RECENTLY PUSHED HIS DEPUTY CHIEF MARTIAL LAW ADMINISTRATORS TO ENSURE ADEQUATE SUPPLIES (AND HENCE REASONABLE STEADY PRICES) IN THE FACE OF A REDUCED BORO HARVEST, THE PERCEIVED STATISTICAL PROBABILITY OF A BELOW-AVERAGE AMAN HARVEST, AND A SCHEDULE FOR DEMOCRATIC ELECTIONS. THIS POLITICAL CONCERN IN FACT HAS A FIRM BASIS IN REALITY: THERE WAS FAMINE HERE AS RECENTLY AS 1974.

6. STABILIZATION PROGRAM. PRESIDENT ZIA AND HIS ECONOMIC ADVISORS ARE COMMITTED TO CONTINUING THE SUCCESSFUL FINANCIAL, MONETARY AND CREDIT POLICIES ORIGINALLY AGREED UPON WITH THE IMF IN THE 1975/76 STABILIZATION PROGRAM. DESPITE THE ABSENCE OF A FORMAL AGREEMENT IN 1976/77, THE BDG HAS ADHERED TO THAT PROGRAM AND HAS PUBLISHED (DACCA 3192) ITS INTENTION TO CONTINUE TO DO SO IN 1977/78. SPIRALING RICE PRICES WOULD THREATEN THAT PROGRAM.

7. THESE FACTORS, ABOVE ALL THE POLITICAL IMPORTANCE OF ADEQUATE RICE AVAILABILITY AT REASONABLE PRICES, DO NOT TIE THE GOVERNMENT'S HANDS IN ITS EFFORT TO ACHIEVE PRESIDENT ZIA'S GOAL OF FOODGRAIN SELF-SUFFICIENCY. HOWEVER, THEY DO ENGENDER CAUTION IN IMPLEMENTING FOOD POLICY MEASURES. FOR EXAMPLE, THE RATION PRICE WAS RAISED IN TWO STEPS IN DECEMBER 1975 AND FEBRUARY 1976 ALTHOUGH THE DECISION HAD BEEN TAKEN THE PREVIOUS JUNE. GIVEN OUR CONCERN WITH POLITICAL STABILITY IN BANGLADESH, IT IS NOT IN OUR INTEREST TO PUSH THE BDG TOO HARD; RATHER WE SHOULD SEEK THE PHASED ADOPTION OF THE FOOD POLICY MEASURES SO NECESSARY TO ECONOMIC DEVELOPMENT HERE. IN SUM, A GRADUAL APPROACH TO POLICY CHANGES IS REALISTICALLY WHAT WE SHOULD SEEK.

8. ABSENCE OF COORDINATION AMONG DONORS. THIS PROBLEM
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HAS TWO MAJOR ASPECTS: COORDINATING COMMITMENTS AND SCHEDULING SHIPMENT ARRIVALS (PARA 12 BELOW). THIS PAST YEAR BEGAN RELATIVELY WELL. DONORS AT PARIS HAD DISCUSSED THE COORDINATION PROBLEM AND URGED THE BDG TO WORK WITH THE WFP ADVISOR IN DACCA TO PLACE BEFORE DONORS AT REGULAR INTERVALS THE NOW FAMILIAR FOODGRAIN FORECASTS. EVEN MORE IMPRESSIVE, DONORS GENERALLY FOLLOWED THE U.S. LEAD DURING JULY-DECEMBER 1976 IN HOLDING OFF ON 1976/77 SHIPMENTS, GIVEN THE HIGH LEVELS OF PUBLIC AND PRIVATE STOCKS, THE VERY LOW FARMGATE PRICES OF PADDY (EVEN URBAN OPEN MARKET PRICES IN SOME PERIODS FELL BELOW THE SUBSIDIZED RATION PRICE), CONCERNS OVER STOCK MANAGEMENT AND POSSIBLE STORAGE LOSSES. (JULY-DECEMBER 1976 IMPORT ARRIVALS TOTALED LESS THAN 250,000 MT COMPARED TO WELL OVER ONE MILLION IN JULY-DECEMBER 1975.) BEGINNING FROM ABOUT FEBRUARY, HOWEVER, AND INCREASING SHARPLY WITH BORO CROP LOSSES FROM FLOODS AND FEARS OF A REDUCED AUS CROP, THE BDG INITIATED A MAJOR CAMPAIGN TO INCREASE FOOD AID FROM ALL DONORS. ABOUT THIS TIME IT ALSO BECAME CLEAR THAT WFP/ROME, DESPITE DONOR URGING -- STATE 276255, WAS NOT GOING TO PROVIDE NECESSARY ADMINISTRATIVE SUPPORT TO THE WFP ADVISOR HERE.

9. NEITHER SHIPMENT SCHEDULES NOR DONOR DECISIONS WERE SATISFACTORILY COORDINATED. WE WERE IN CLOSE TOUCH WITH DONOR REPRESENTATIVES HERE, INCLUDING U.S.-ORGANIZED MEETINGS OF CHIEFS OF MISSION (DACCA 1948), AND BELIEVE THEIR RECOMMENDATIONS TO CAPITALS OFTEN REFLECTED VIEWS CLOSE TO OURS. HOWEVER, THE BDG FOOD APPEALS, CONVEYED DIRECTLY TO DONOR CAPITALS

BY DCMLA ADMIRAL KHAN AND PLANNING ADVISOR DR. HUDA,
MADE COORDINATION HERE DIFFICULT. EXAMPLES OF UNSATISFACTORY
COORDINATION ALSO INCLUDED:

(A) THE IMF, WITH MINIMAL INFORMATION TO FOOD
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DONORS, URGED THE BDG TO IMPORT FOODGRAINS COMMERCIALY.
THE BDG COULD HAVE OBTAINED IT DOMESTICALLY HAD THEY
CONDUCTED A MORE EFFECTIVE PROCUREMENT DRIVE;

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O R 161030Z JUN 77
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AXEMBASSY PARIS 285

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(B) THE CANADIAN DECISION TO PROGRAM ADDITIONAL
FOODGRAIN TO BANGLADESH, AGAINST A BACKGROUND OF THEIR
DOMESTIC FARM PRESSURES. IN A YEAR WHEN U.S. FOOD
SHIPMENTS TO BANGLADESH WILL BE WELL BELOW THE HISTORIC
AVERAGE ANNUAL LEVELS, CANADA IS INCREASING BY 50 PERCENT
ITS GRANT FOOD SHIPMENTS, WITH NO REPEAT NO EQUINRLT
OF OUR SELF-HELP REQUIREMENTS, THEREBY, ALONG WITH
OTHERS, UNDERMINING OUR NEGOTIATING EFFORT;

(C) BDG APPROACHES TO DONORS. THE BDG'S FOODGRAIN APPEALS, CARRIED TO DONOR CAPITALS BY A STREAM OF POORLY INFORMED OFFICIALS, GREATLY EXACERBATED THE COORDINATION PROBLEM. THE EVIDENCE SUGGESTS THAT THE BDG PREFERS THE FREEDOM TO PLAY DONORS OFF AGAINST EACH OTHER PERMITTED BY THE LONG-STANDING ABSENCE OF EFFECTIVE COORDINATION.

10. FEW BDG FOOD POLICY MEASURES.

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(A) PAST RECORD. IN THIS YEAR, WHICH OPENED WITH VERY HIGH PUBLIC AND PRIVATE FOODGRAIN STOCKS, SOME OBSERVERS HAD HIGH HOPES THAT THE BDG WOULD TAKE IMPORTANT FOOD POLICY DECISIONS, AS THE STOCKS PROVIDED A MARGIN OF SAFETY AGAINST THE RISKS OF POLICY FAILURE. THE BDG PRESENTATION, AND DISCUSSIONS AT THE MAY 1976 BANGLADESH AID GROUP MEETING, ENCOURAGED THESE HOPES. HOWEVER, THROUGH MAY 1977, BDG MEASURES INCREASED ITS DEPENDENCE ON THE RATION SYSTEM: THE STATUTORY RATION AREA WAS ENLARGED; LIMITS WERE REMOVED ALTOGETHER ON THE QUANTITIES OF CANADIAN-SUPPLIED EDIBLE OIL. RATIONEES COULD BUY WEEKLY, EDIBLE OIL PRICES WERE REDUCED, MODIFIED RATION (MR) AMOUNTS WERE INCREASED, AND THE MR SYSTEM EXTENDED TO ADDITIONAL CONSUMERS. THE 1976-77 PROCUREMENT DRIVE FALTERED. THERE WERE, UNTIL THIS PAST TWO WEEKS, IN FACT, ALMOST NO NEW POSITIVE FOOD POLICY DECISIONS TAKEN SINCE MAY/JUNE 1975 (UNDER MUJIB) AND NONE IMPLEMENTED SINCE THE FY 1977 BUDGET BECAME EFFECTIVE JULY 1, 1976;

(B) PRESENT SITUATION. IN THE PAST TWO WEEKS, THE BDG HAS TAKEN TWO USEFUL STEPS, FIRST TO ANNOUNCE IN A TIMELY FASHION SOMEWHAT HIGHER PROCUREMENT PRICES AND TO IMPROVE ITS ADMINISTRATIVE ARRANGEMENTS FOR PROCURING AUS AND AMAN IN FY 1978, AND SECOND, TO REDUCE THE RICE PORTION (BUT NOT THE TOTAL QUANTITY) OF THE WEEKLY RATION. WE BELIEVE THE PROCUREMENT ARRANGEMENTS, ANNOUNCED DURING OUR FOOD NEGOTIATIONS ON PL-480, WILL BE PARTICULARLY HELPFUL. WE ARE ALSO HOPEFUL, BUT LESS CERTAIN, THAT THE CHANGE IN THE RATION COMPOSITION MAY LEAD TO SOME INCREASE IN OPEN-MARKET RICE PRICES, WITH EVENTUAL INCREASES IN FARMGATE PRICES. IDEALLY, SUCH AN INCREASE WOULD NOT BE SIGNIFICANTLY POLITICALLY, BUT WOULD HAVE A BENEFICIAL EFFECT ON FARMERS' INCENTIVES. IN ADDITION, FURTHER POLICY DECISIONS

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ARE CITED IN THE BDG MEMORANDUM AS UNDER CONSIDERATION OR CONTEMPLATED, BUT ONLY AT SOME UNSPECIFIED FUTURE TIME;

(C) OUTLOOK FOR 1977-78. THE BDG HAS ADOPTED NONE OF THE POSSIBLE MEASURES CITED IN PARA 102 OF THE 1977 BANK REPORT. THE PATTERN IN THE PAST TWO YEARS SUGGESTS THAT IF SUCH MEASURES ARE NOT DECIDED UPON BEFORE THE BANGLADESH AID GROUP MEETING AND, FOR THOSE WITH FINANCIAL IMPLICATIONS, BEFORE THE BUDGET IS ANNOUNCED, THOSE MEASURES WILL PROBABLY NOT BE IMPLEMENTED DURING THE FOLLOWING FISCAL YEAR. HENCE, THE OUTLOOK IS FOR LITTLE MOVEMENT, OTHER THAN ON THE PROCUREMENT SIDE, FOR A FURTHER YEAR;

(D) OUR VIEW. AGAINST THIS BACKGROUND, WE SEE SOME LIMITED SCOPE FOR COMMENDING AT PARIS THE BDG RECORD (CF. PARA 2, REFTEL B). THE PROCUREMENT ANNOUNCEMENTS RESPONDED TO IBRD RECOMMENDATIONS AND, AT LEAST IN TIMING, TO OUR PL-480 NEGOTIATING TACTICS. WE WOULD, ABOVE ALL, WISH TO SEE THE U.S. (AS RECOMMENDED DACCA 3055) POINT IN ITS STATEMENT TO THE NEED TO USE FOOD AID FOR DEVELOPMENT. WE SHOULD NOTE THAT THE DONOR RESPONSIBILITY TO PROVIDE TIMELY AND ADEQUATE AMOUNTS SHOULD BE MATCHED BY PACED BDG FOOD POLICY DECISIONS. (OUR OWN FIRST CHOICE WOULD BE A BDG COMMITMENT TO RAISE BY 33 PERCENT, REALISTICALLY OVER MORE THAN ONE FISCAL YEAR, THE ISSUE PRICE OF WHEAT AND RICE SOLD THROUGH THE RATION SYSTEM. THIS WOULD BRING RATION PRICES UP TO THE LEVEL OF THE PRESENT PROCUREMENT PRICE, I.E., ELIMINATING THE DIFFERENCE BETWEEN THE BDG PURCHASE COST AND SALE PRICE.)

11. WHAT WE SEEK. WE BELIEVE THAT ACHIEVEMENT OF PRESIDENT ZIA'S PUBLICLY PROCLAIMED GOALS OF FOODGRAIN

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SELF-SUFFICIENCY AND A 50 PCT INCREASE IN AGRICULTURAL PRODUCTION MUST INVOLVE INTER ALIA TURNING THE TERMS OF TRADE IN FAVOR OF THE FARMERS FOR AN EXTENDED PERIOD OF TIME. FOR THE REASONS NOTED IN PARAS 5 AND 6, POLICY DECISIONS CANNOT REALISTICALLY BE EXPECTED TO COME ABRUPTLY. TO ENCOURAGE THE BDG, DONORS WILL HAVE TO BE: (A) CREDIBLE IN THEIR ASSURANCES OF PROMPT REACTION TO DISASTER-RELATED DOMESTIC FOODGRAIN SHORTAGES, (B) COORDINATED BOTH IN THEIR REGULAR FOOD COMMITMENTS

AND THE BDG POLICY DECISIONS THEY SEEK, AND (C) ABLE TO RESIST THEIR OWN DOMESTIC FARM PRESSURES. WE APPEAR ISOLATED ON THIS ISSUE (PARA. 3, REFTEL B) OF MATCHING POLICY DECISIONS TO FOOD AID FLOWS, BECAUSE WE ARE APPARENTLY THE ONLY DONOR WITH THE DESIRE AND AN EXPLICIT LEGAL REQUIREMENT TO USE FOOD AID FOR DEVELOPMENT. WE BELIEVE THAT, IN OUR FOOD NEGOTIATIONS HERE, WE ARE MAKING HEADWAY IN PERSUADING THE BDG TO ADOPT SOME SPECIFIC MEASURES, AND THAT WE MAY BE SUCCESSFUL IN OBTAINING A BIT MORE, IF WE KEEP ON AS WE ARE GOING NOW.

12. EFFECTIVE COORDINATION NEEDED. TO AVOID PORT AND SHIPPING FIASCOS ON THE ONE HAND, AND TO CREATE A SITUATION AT LEAST ENABLING DONORS TO ADDRESS THE THREE EXTREMELY DIFFICULT CONDITIONS IDENTIFIED IN PARA 11 ABOVE ON THE OTHER, A SATISFACTORY DONOR COORDINATION MECHANISM IS ESSENTIAL. WE DON'T HAVE SUCH A MECHANISM AT PRESENT. SHOULD WE SEEK TO STRENGTHEN WHAT WE DO HAVE OR ATTEMPT TO CREATE A NEW MECHANISM?

13. SHIPMENT ARRIVALS. HERE, WE SHOULD SEEK AT LEAST FOR ANOTHER YEAR TO STRENGTHEN THE WORK OF THE WFP ADVISOR. TO THIS END, THE WFP OFFICE HERE MUST HAVE AT LEAST ONE ADDITIONAL OFFICER. WE ASKED WFP/ROME TO PROVIDE ONE (SEE STATE 276255); NO SUCH OFFICER HAS BEEN SANCTIONED. HOWEVER, THE BDG MUST ALSO COOPERATE WHOLEHEARTEDLY WITH LOCAL DONOR REPRESENTATIVES ON SHIPMENT INFORMATION. THE RECORD ON THIS IS NOT GOOD, BUT WE BELIEVE WE CAN, WITH WFP/ROME SUPPORT, IMPROVE THE SITUATION.

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IVES ON SHIPMENT INFORMATION. THE RECORD ON THIS IS NOT GOOD, BUT WE BELIEVE WE CAN, WITH WFP/ROME SUPPORT, IMPROVE THE SITUATION.

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PASS AID/ASIA FOR SULLIVAN

14. FOOD COMMITMENTS AND POLICY MEASURES. HERE, A NEW MECHANISM IS NEEDED. FORTUNATELY, THE USG NEED NOT TRY TO DICTATE TO THE BDG ON THE CHOICE OF POLICY MEASURES. THE IBRD AND THE IMF REGULARLY RECOMMEND FOOD AND OTHER DEVELOPMENT POLICIES. THE IBRD (KOLFSKY-KING) REPORT ON FOOD PRICING POLICY MAY WELL BE ONE WE CAN SUPPORT FULLY. MANY OTHER FOOD SOURCES OF POLICY ADVICE ARE AVAILABLE, SUCH AS THE MENSAH GROUP'S REPORT. THE BDG COULD SELECT ANY SET OF THESE MEASURES AND SATISFY OUR CONCERNS. ON THE OTHER HAND, THE FOOD AID LEVELS RECOMMENDED BY THE INTERNATIONAL FINANCIAL INSTITUTIONS ARE OFTEN EXCESSIVE IN OUR VIEW. THE IBRD'S RECORD IS PARTICULARLY POOR -- VIZ THE FOOD PAPER CIRCULATED AT THE MAY 1976 BANGLADESH AID GROUP MEETING (SEEKING 1.5 MMT IN FOOD GRAIN IMPORTS IN 1976/77 AGAINST ESTIMATED ACTUALS OF ABOUT 925,000
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MT, WHICH IS ENOUGH), AND THE LATEST REPORT ON BANGLADESH (1469-BD), EACH OF WHICH CALLED FOR HIGH LEVELS OF FOOD AID. IN SUM, WE CAN SUPPORT THE FOOD POLICY RECOMMENDATIONS, BUT ACCOMPANYING THEM WITH HIGH LEVELS OF FOOD SHIPMENTS IS NOT LIKELY, IN OUR VIEW, TO LEAD TO BDG ACTION TO IMPLEMENT THOSE POLICY RECOMMENDATIONS. HIGH FOOD FLOWS STRENGTHEN THE HANDS OF THOSE BDG BUREAUCRATS AND ADVISORS FAVORING THE POLITICALLY SAFE STATUS QUO. SUCH FOOD AID LEVELS PROVIDE A PSYCHOLOGICAL DISINCENTIVE TO TAKING THE POLICY DECISIONS OR DEVOTING THE EXTREMELY LIMITED BDG ADMINISTRATIVE TALENT TO TACKLING THE PROBLEMS OF IMPLEMENTING THOSE DECISIONS AND MOVING TOWARD FOODGRAIN SELF-SUFFICIENCY. FOOD MUST FLOW AT ASSURED LEVELS AND DONORS MUST MEET DISASTER NEEDS PROMPTLY WHEN THEY ARISE, BUT THE BDG MUST ALSO STEADILY ADOPT POLICY MEASURES. THE TWO PROCESSES MUST MOVE IN TANDEM. DONORS MUST

SHOW RESTRAINT IN PROVIDING HIGH FOOD FLOWS IN THE ABSENCE OF BDG COMMITMENTS TO ADOPT POLICY MEASURES. THIS LATTER CANNOT BE DONE BY THE IBRD OR THE IMF. THEY HAVE NO FOOD. ONLY THE U.S., CANADA, THE EEC, WFP, AND AUSTRIALIA ARE IMPORTANT FOOD GRAIN DONORS. IDEALLY, DONORS WOULD CONCERT THEIR ANNUAL FOODGRAIN COMMITMENTS AND AGREE WITH BDG OFFICIALS ON REASONABLE POLICIES TO BE IMPLEMENTED DURING THE COMING BDG FISCAL YEAR.

15. STOCK LEVELS. AGAINST THIS BACKGROUND, WE ARE LESS CONCERNED WITH EXACT STOCK LEVELS TO BE ACHIEVED AS OF 30 JUNE 1978 OR OTHER SPECIFIC DATE, THAN WE ARE WITH ESTABLISHING CLEARLY THE CONCEPT OF PARTNERSHIP DESCRIBED IN PARA 14 ABOVE BETWEEN DONORS AND THE BDG. OUR OWN VIEW IS THAT IF WE OBTAINED CREDIBLE ASSURANCES OF FOOD POLICY DECISIONS IN FY 1978, WE MIGHT AGREE TO SEE JUNE 30 STOCKS REACH 800,000 MT. ABOVE THAT LEVEL, EVEN AT THE BEGINNING OF THE ANNUAL FOUR-MONTH PRE-CONFIDENTIAL

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AMWP HARVEST "LEAN SEASON", THERE IS A SERIOUS RISK OF STOCK MANAGEMENT AND STORAGE PROBLEMS LEADING TO ABOVE AVERAGE LOSSES. THIS SITUATION IS BEING IMPROVED, BUT ONLY SLOWLY. THERE IS NOTHING QUOTE TIGHT UNQUOTE (PARA. 6, REFTEL B) ABOUT A 700,000 MT STOCK LEVEL. AVERAGE MONTHLY CLOSING STOCK LEVELS THROUGHOUT 1972-73, 73-74, AND 74-75 WERE 322,000, 233,000, AND 304,000 RESPECTIVELY, AND NOT UNTIL JUNE 1975 DID ANY SINGLE MONTHLY CLOSING STOCK LEVEL EXCEED 501,000 MT. AS MAHMOOD MADE CLEAR TO LOCAL DONORS JUNE 13 (REFTEL D), A 500,000 MT MINIMUM CAN BE CONSIDERED SATISFACTORY. WE CONTINUE TO BELIEVE THAT BDG STOCKS AT END-DECEMBER WILL APPROACH 700,000 MT (DACCA 3097).

16. EFFECT OF PROCUREMENT PRICE ANNOUNCEMENT, IMPORTS AND STOCKS ON FARMGATE PRICES. AS RECOMMENDED BY THE IBRD (PARA. 101 OF 1977 BANK REPORT), THE BDG HAS ANNOUNCED ITS AMAN PROCUREMENT PRICE WELL IN ADVANCE. HOW THEN WILL ADDED IMPORTS AFFECT THE FARMER? (PARA. 5, REFTEL B.) THE GOAL IS TO RAISE FARMGATE PRICES TO INCENTIVE LEVELS AND SUSTAIN THEM AT THOSE LEVELS SO THAT GROWERS CAN RELY ON A RETURN ON INVESTMENT. THE PROCUREMENT MECHANISM CONTRIBUTES ONLY IMPERFECTLY TO THIS GOAL. MUCH DEPENDS ON HOW THE PROCUREMENT DRIVE IS IMPLEMENTED. FOR EXAMPLE, IN DECEMBER 1976 AND JANUARY 1977, FARMGATE PRICES WERE WELL BELOW THE PROCUREMENT PRICE, IN SOME DISTRICTS AS MUCH AS 50 PERCENT BELOW. THE GROWER, TYPICALLY A SHRECCROPPER, MUST SELL HIS PADDY WHEN HARVESTED TO PAY DEBTS. IF ONE OF THE

400 OR SO PROCUREMENT CENTERS IS NOT NEARBY, IF BDG REQUIREMENTS RELATING TO THE CONDITION OF THE PADDY, THE AMOUNT, BAGGING, OR PAYMENT BY CHECK, ETC. ARE BEING ENFORCED, THEN THE GROWER TURNS TO A MIDDLEMAN. AN EARLY PRICE ANNOUNCEMENT IS HELPFUL BUT THE IMPLEMENTATION OF THE PROCUREMENT DRIVE IS CRITICAL TO ITS SUCCESS AS A PRICE SUPPORT MECHANISM. MANY OF
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THE MEASURES IDENTIFIED IN PARA. 101 OF THE BANK REPORT (E.G. TIMELY FINANCE) DEPEND ON IMPLEMENTATION. SO, WHILE WE WOULD WELCOME AT PARISTHOSE BDG DECISIONS, WE WOULD NOT WISH TO WEAKEN THEIR RESOLVE TO IMPLEMENT THEM EFFECTIVELY BY SUPPLYING FOOD IN EXCESSIVE QUANTITIES. DESPITE THE SELF-HELP MEASURES AND THE AUS PROCUREMENT DRIVE ANNOUNCEMENT (DACCA 3157), AIR VICE MARSHAL MAHMOOD IS STILL NOT PLANNING ON ANY PROCUREMENT AT ALL THROUGH NOVEMBER 30 (REFTEL D)M

17 FOOD PLEDGE. WE DO NOT BELIEVE IT WOULD BE WISE TO PLEDGE, OR INDICATE, AT THE BANGLADESH AID GROUP MEETING, A SPECIFIC MINIMUM AMOUNT OF FOODGRAIN AID TO BANGLADESH, AS SUGGESTED PARA. 6, REFTEL (B). WE OFFERED ONLY THE MOST TENTATIVE DOLLAR FIGURE AT LAST YEAR'S MEETING; NEVERTHELESS THIS WAS INSTANTLY TRANS- LATED INTO A GONNAGE FIGURE (500,000 MT), WHICH FIGURE HAS BEEN REPEATEDLY USED BY BDG OFFICIALS EVER SINCE AS A "COMMITMENT". IN THE ABSENCE OF ADDITIONAL BDG FOOD POLICY DECISIONS AND IN LIGHT OF THE UNCER- TAINITIES CITED DACCA 3055, WE WOULD CONTINUE IN FY 1978 TO PROVIDE OUR PROPORTIONATE SHARE OF REGULAR IMPORT NEEDS AS BDG SELF-HELP MEASURES TO INCREASE FOOD PRODUCTION BECOME EVIDENT.

18. RECOMMENDED APPROACH TO OTHER FOOD DONORS. WE AGREE WITH ARGUMENT (PARA. 6, REFTEL (B) THAT IN RETURN FOR BDG IMPLEMENTATION OF APPROPRIATE POLICIES, WE NEED SOME STRATEGY TO ASSURE MAINTENANCE OF AN AGREED MINIMAL STOCK LEVEL. AS A BEGINNING, WE RECOMMEND THAT WE SHARE WITH MAJOR FOOD DONORS IN CAPITALS AND WITH BDG HERE OUR INTENDED STATEMENT IN PARIS ON THIS ISSUE (SEE PARAGRAPHS 2 AND 3, DACCA 3055). AND INVITE FOOD DONOR DELEGATIONS TO MEET INFORMALLY WITH U.S. DEL AT PARIS TO DISCUSS THIS ISSUE, AND TO SEEK THEIR SUPPORT FOR OUR POSITION.
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19. SUMMARY OF RECOMMENDATIONS. WE RECOMMEND:

(A) OUR STATEMENT AT THE BANGLADESH AID GROUP MEETING INCLUDE OUR BELIEF THAT FOOD AID FLOWS MUST BE DEPENDABLE, BUT ALSO MATCHED BY PACED FOOD POLICY DECISIONS BY THE BDG;

(B) WE SO ADVISE SENIOR AID OFFICIALS IN CAPITALS OF MAJOR FOOD DONORS OF OUR PROPOSED STATEMENT AND SEEK THEIR SUPPORT AND VIEWS;

(C) THE DEPARTMENT ALERT US IF (B) IS APPROVED TO PERMIT SIMULTANEOUS APPROACHES TO DONOR REPS HERE;

(D) WE INVITE THEIR DELEGATIONS TO MEET AT PARIS ON JULY 6 (BEFORE THE RURAL DEVELOPMENT MEETING), WITH OUR DELEGATES TO SEEK CONCERTED STATEMENTS ON FOOD AID: AND

(E) WE CONTINUE, IN OUR CURRENT AND PROSPECTIVE PL-480, TITLE I NEGOTIATIONS HERE TO POINT TO THE NEED FOR BDG FOOD POLICY DECISIONS, ON A REGULAR, ALBEIT PHASED, PROGRAM, TO MATCH DEPENDABLE U.S. FOOD AID FLOWS.
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Current Classification: UNCLASSIFIED
Concepts: COMMITTEE MEETINGS, FOOD ASSISTANCE
Control Number: n/a
Copy: SINGLE
Sent Date: 16-Jun-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977DACCA03284
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770215-0274
Format: TEL
From: DACCA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770651/aaaabstd.tel
Line Count: 571
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 760b077c-c288-dd11-92da-001cc4696bcc
Office: ACTION AID
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 11
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 DACCA 3192, 77 STATE 135347, 77 DACCA 3055, 77 DACCA 3274
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 17-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2133452
Secure: OPEN
Status: NATIVE
Subject: BANGLADESH AID GROUP MEETING: FOOD AID COORDINATION
TAGS: EAID, EAGR, BG, CA, AS, EEC
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/760b077c-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009